HOUSING MARKET INFORMATION

HOUSING NOW
Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

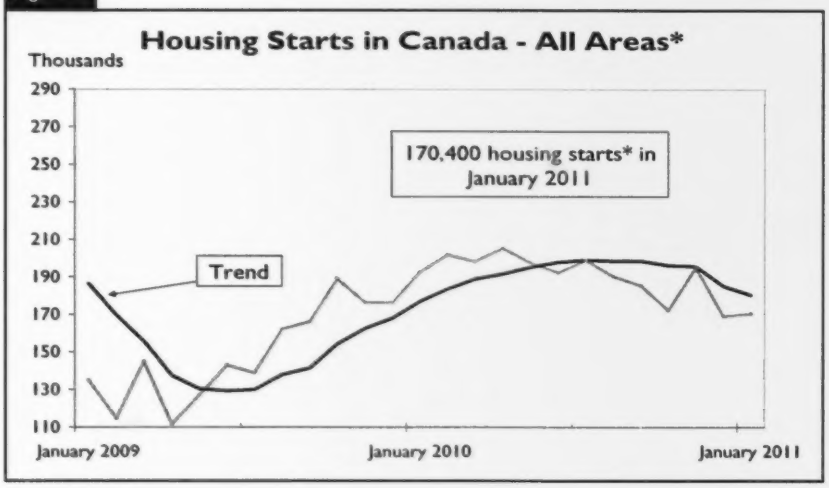
New Home Market

Housing starts edged up in January 2011

The seasonally adjusted annual rate[1] of housing starts was 170,400 units in January, up 0.8 per cent from 169,000 units in December. Housing starts moved slightly higher in January because of an increase in rural starts. Urban starts decreased last month to offset most of the gains in rural starts.

In 2011, housing starts are expected to reach 177,600 units; a level that is in line with demographic fundamentals.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Both urban single and multiple starts decreased in January

The seasonally adjusted annual rate of urban starts fell by 1.7 per cent to 146,900 units in January compared to 149,500 units in December. Urban single starts decreased 2.0 per cent to 64,000 units, while urban multiple starts were down 1.5 per cent to 82,900 units in January.

Change in Urban starts mixed across the regions

In January, the seasonally adjusted annual rate of urban starts increased in Atlantic Canada (13.3 per cent) and in Ontario (10.3 per cent). On the other hand, starts decreased in the Prairie Region (-19.0 per cent), British Columbia (-7.9 per cent) and in Quebec (-1.0 per cent).

The seasonally adjusted annual rate of rural starts was 23,500 units in January compared to 19,500 units in December.

Total starts down in January

In January, actual urban starts decreased 6.4 per cent compared to the same period in 2010. Actual urban single starts for January were down 28.5 per cent compared to a year earlier, while actual urban multiple starts rose 12.7 per cent in January compared to same month in 2010.

Actual starts in rural and urban areas combined decreased by an estimated 5.3 per cent in January compared to a year earlier.

New house prices continue to increase in December

The New Housing Price Index (NHPI) increased by 2.1 per cent year-over-year in December compared to 2.3 per cent in November.

In December 2010, new home prices increased in 16 out of 21 centres, compared to December 2009. The largest increases in the NHPI were in St. John's (7.9 per cent), followed by Regina (6.0 per cent) and Winnipeg (5.9 per cent). The centres that registered the largest declines in the NHPI were Windsor (-3.7 per cent), Charlottetown (-2.0 per cent), Greater Sudbury and Thunder Bay, and St. Catharines and Niagara (-1.1 per cent).

Existing Home Market

MLS®[2] sales up in January

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales was up 4.5 per cent to 473,772 units in January, compared to 453,276 units in December.

MLS® new listings were also up in January

The seasonally adjusted annual rate of MLS® new listings in January increased 3.9 per cent to 851,268, compared to 818,964 units in December.

The Sales-to-New-Listings ratio in balanced-to-sellers' conditions

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[3]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained near the threshold between balanced and sellers' market conditions in January, at about 55.7 per cent. This compares to a sales-to-new-listings ratio of 55.3 per cent in December.

MLS® price increases reflect current market conditions

The January seasonally adjusted average MLS® price in Canada increased by 4.0 per cent to $357,062 compared to $343,510 in December. The unadjusted MLS® average price was up 4.6 per cent in January to $343,675 from $328,728 a year ago.

[2]Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association

[3]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

Economic conditions

According to Statistics Canada employment increased by 69,000 jobs in January, after a December gain of 22,000 jobs. Full-time employment rose by 31,000 jobs in January, while part-time employment increased by 38,000 jobs.

Compared to January 2010, total employment across Canada was up 1.9 per cent (327,000 jobs). Over the past year, part-time employment added 91,000 net new jobs while full time employment increased by 236,000 net new jobs.

Among the provinces, Ontario, Alberta, Nova Scotia, Newfoundland and Labrador, Manitoba and Prince Edward Island saw employment gains in January, while British Columbia posted declines. Employment was little changed in Saskatchewan, Quebec and New Brunswick.

The agency also reported that Canada's unemployment rate increased by 0.2 percentage points to 7.8 per cent in January, as more people searched for work.

With respect to consumer prices, Statistics Canada reported that consumer prices rose 2.3 per cent in the 12 months to January, following a 2.4 per cent increase in December. With respect to shelter costs, homeowners' home and mortgage insurance increased 6.7 per cent compared with a 5.7 per cent advance in December. Electricity prices increased 6.4 per cent in January compared with a 6.2 per cent advance the previous month. Finally, natural gas prices decreased 3.3 per cent compared with a 9.2 per cent advance in December.

On January 18th, the Bank of Canada announced that it was leaving the overnight rate target unchanged at 1.0 per cent. According to the Bank of Canada, the global economic recovery is proceeding at a somewhat faster pace than previously anticipated. Despite the more positive global outlook, the persistent strength of the Canadian dollar and Canada's poor productivity performance are restraining Canada' economic recovery. As a result, the economy is not expected to return to full capacity until the end of 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada will take place on March 1, 2011. The next Monetary Policy Report is scheduled to be released on April 13, 2011. ■

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Overview of CMHC's Rental Affordability Indicator

CMHC produces a local rental affordability indicator[1] for 23 CMAs[2] to gauge how affordable a rental market is for those renting in one of these areas. This indicator is centered at a value of 100.

A generally accepted rule of thumb for affordability is that a household should spend less than 30 per cent of its gross income on housing. Accordingly, an indicator value of 100 indicates that 30 per cent of the median income of renter households is necessary to rent a two-bedroom apartment going at the median rental rate. When the affordability indicator is below 100, it indicates that more than 30 per cent of income is necessary to rent a two-bedroom apartment, while a value above 100 indicates that less than 30 per cent of income is necessary to rent a two-bedroom apartment. As the indicator increases, the market becomes more affordable; as the indicator declines, the market becomes less affordable.

The rental affordability indicator can be used to examine changes in affordability in a rental market over time and compare how Canadian renters in different cities fare[3]. However, it cannot be used to judge whether or not a rental market is affordable since the indicator does not take into account the distribution of income and rent levels in the analysis, and does not examine the cost impact of renting larger or smaller units.

Table 1
Rental Affordability Indicator

Centres	2007	2008	2009E*	2010E*
Saguenay CMA	137	144	157	152
Sherbrooke CMA	139	134	136	136
Québec CMA	123	129	129	133
Calgary CMA	103	112	120	132
Ottawa-Gatineau CMA (Que. Part)	121	128	131	131
Montréal CMA	134	137	136	130
Edmonton CMA	115	116	118	129
Kitchener CMA	111	117	119	116
Hamilton CMA	109	112	110	115
Ottawa-Gatineau CMA (Ont. Part)	100	107	114	110
Halifax CMA	113	113	111	108
St. Catharines-Niagara CMA	105	100	104	101
Winnipeg CMA	101	101	105	101
Sudbury CMA	93	93	99	100
Saskatoon CMA	113	98	100	99
Windsor CMA	85	92	97	99
London CMA	118	110	104	97
Toronto CMA	91	92	95	95
Vancouver CMA	99	96	96	93
Regina CMA	113	110	110	91
Victoria CMA	102	101	90	85
Oshawa CMA	100	94	89	84
Thunder Bay CMA	98	94	87	82

* Estimate

Sources: CMHC Rental Market Report, Fall 2010

Overall Results

In 2010, the affordability indicator increased in six centres, it decreased in 14 centres, while it remained unchanged in three centres across the country. Calgary (up 10.0 per cent to 132), Edmonton (up 9.3 per cent to 129) and Hamilton (up 4.5 per cent to 115) recorded the strongest affordability index increase. This means that these centres have become more affordable since 2009.

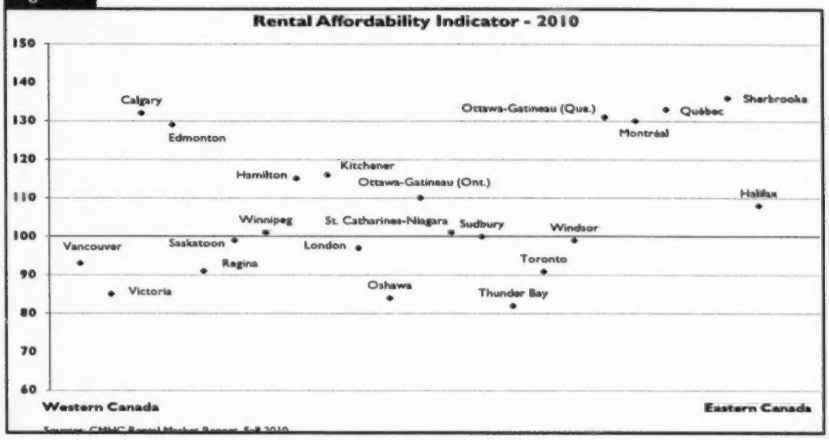
[1] For an in-depth explanation of the rental affordability indicator refer to Housing Now – Canada, October 2007 edition.

[2] A rental affordability indicator was not produced for Saint John, St. John's, Moncton, Trois Rivières, Barrie, Guelph, Brantford, Peterborough, Kelowna, Abbotsford, and Kingston due to insufficient or unstable data.

[3] Median two-bedroom rents used in the calculation of the rental affordability indicator are based on actual amounts tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, hot water, and appliances. When comparing affordability across centres, it is important to note that in some centres the inclusion of utilities and appliances in the rent is more common than in others.

On the other hand, Regina (minus 17.3 per cent to 91), London (minus 6.7 per cent to 97) and Thunder Bay (minus 5.7 per cent to 82) recorded the biggest decreases in affordability.

Figure 3



Detailed Local Results

With respect to changes from 2009 to 2010, Vancouver's indicator saw a decline from 96 in 2009 to 93 in 2010. Meanwhile, Victoria saw a decrease from 90 to 85 over the same time frame. The rental affordability indicator also declined in Halifax from 111 in 2009 to 108 in 2010. Regina was the only double-digit decrease in affordability in 2010. The next closest decrease is London at -7 units. With respect to the largest affordability increases, Calgary and Edmonton were the only double-digit increases. In general, however, most centres experienced a change ranging from -7 to 5 units compared to 2009.

In Toronto, the rental affordability was unchanged in 2010 at 95. In each year from 1997 to 2010 the rental affordability indicator was between 89 and 96, making Toronto the most stable centre in terms of affordability among the CMAs. Sherbrooke and Ottawa-Gatineau (Quebec Part) were the other centres that were unchanged.

In contrast, London has seen some of the largest movements in its indicator, ranging from 84 in 2001 to 118 in 2007. It has since fallen to 97 in 2010. During the 2001 to 2007 period, median incomes rose significantly faster than median rents. Since then, median incomes have decreased, while median rents have increased moderately.

As was the case in 2009, Saguenay and Sherbrooke had the highest rental affordability indicator in 2010 at 152 and 136, respectively. In fact, all CMAs in Quebec were among the top 10 centres that registered a high rental affordability indicator in 2010. Lower median rent levels and stable or rising incomes have helped support the high levels of affordability across Quebec.

Thunder Bay has remained in the bottom ten centres since the late 1990s. This is due to the fact that median incomes have decreased while median rents have increased during this period. Rental affordability was the lowest in Thunder Bay with an indicator of 82 in 2010. Following Thunder Bay is Oshawa and Victoria, at 84 and 85, respectively.

CMHC's fall Rental Market Reports provide a more detailed analysis of rental trends in the respective centres. Each report includes further analysis of the rental affordability indicator for the corresponding centre. These reports can be found on CMHC's website.

This Month's Housing Data (SAAR)

	2010	Q2:10	Q3:10	Q4:10	M11:10	M12:10	M01:11
Housing starts, units, 000s							
Canada. Total. All areas	**189.9**	**199.8**	**190.7**	**179.1**	**195.0**	**169.0**	**170.4**
Per cent change from previous period	27.4	2.1	-4.6	-6.1	13.2	-13.3	0.8
Canada. Total. Rural areas	**23.8**	**26.4**	**23.3**	**22.9**	**23.8**	**19.5**	**23.5**
Per cent change from previous period	27.0	12.8	-11.7	-1.7	-3.3	-18.1	20.5
Canada. Total. Urban areas	**166.2**	**173.4**	**167.4**	**156.2**	**171.2**	**149.5**	**146.9**
Per cent change from previous period	27.5	0.7	-3.5	-6.7	16.0	-12.7	-1.7
Canada. Single. Urban areas	**74.2**	**79.3**	**69.9**	**63.5**	**65.8**	**65.3**	**64.0**
Per cent change from previous period	22.7	-10.0	-11.9	-9.2	5.4	-0.8	-2.0
Canada. Multiple. Urban areas	**91.9**	**94.1**	**97.5**	**92.7**	**105.4**	**84.2**	**82.9**
Per cent change from previous period	31.6	11.9	3.6	-4.9	23.7	-20.1	-1.5
Newfoundland. Total. All areas	**3.6**	**4.2**	**3.3**	**3.1**	**3.1**	**3.2**	**3.8**
Per cent change from previous period	18.0	-30.0	-21.4	-6.1	-11.4	3.2	18.8
Prince Edward Island. Total. All areas	**0.8**	**0.9**	**0.7**	**0.9**	**1.0**	**1.1**	**0.8**
Per cent change from previous period	-13.8	80.0	-22.2	28.6	400.0	10.0	-27.3
Nova Scotia. Total. All areas	**4.3**	**4.4**	**4.6**	**3.8**	**3.6**	**2.8**	**4.6**
Per cent change from previous period	25.3	0.0	4.5	-17.4	-35.7	-22.2	64.3
New Brunswick. Total. All areas	**4.1**	**3.6**	**4.4**	**4.5**	**3.7**	**3.1**	**3.5**
Per cent change from previous period	16.5	-18.2	22.2	2.3	-33.9	-16.2	12.9
Quebec. Total. All areas	**51.4**	**54.0**	**50.2**	**47.9**	**44.3**	**47.9**	**48.8**
Per cent change from previous period	18.3	1.7	-7.0	-4.6	-10.3	8.1	1.9
Ontario. Total. All areas	**60.4**	**63.8**	**60.7**	**58.3**	**82.5**	**46.4**	**51.4**
Per cent change from previous period	20.0	4.9	-4.9	-4.0	75.5	-43.8	10.8
Manitoba. Total. All areas	**5.9**	**5.8**	**6.9**	**5.4**	**5.4**	**6.5**	**3.9**
Per cent change from previous period	41.1	13.7	19.0	-21.7	35.0	20.4	-40.0
Saskatchewan. Total. All areas	**5.9**	**5.1**	**6.2**	**7.4**	**9.4**	**7.5**	**6.1**
Per cent change from previous period	52.8	0.0	21.6	19.4	77.4	-20.2	-18.7
Alberta. Total. All areas	**27.1**	**31.6**	**26.9**	**22.4**	**21.5**	**20.5**	**19.3**
Per cent change from previous period	33.5	9.0	-14.9	-16.7	-16.3	-4.7	-5.9
British Columbia. Total. All areas	**26.5**	**26.4**	**26.8**	**25.4**	**20.5**	**30.0**	**28.2**
Per cent change from previous period	64.7	-2.9	1.5	-5.2	-20.8	46.3	-6.0

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2010	Q2:10	Q3:10	Q4:10	M11:10	M12:10	M01:11
Canada. Total. Urban areas	166.2	173.4	167.4	156.2	171.2	149.5	146.9
Newfoundland. Total. Urban areas	2.2	2.5	2.0	2.2	2.1	2.1	2.3
Prince Edward Island. Total. Urban areas	0.6	0.7	0.5	0.7	0.8	0.9	0.6
Nova Scotia. Total. Urban areas	3.5	3.4	3.9	3.1	3	2.3	4.2
New Brunswick. Total. Urban areas	3.0	2.7	3.2	3.1	2.4	2.2	1.4
Quebec. Total. Urban areas	43.5	45.4	41.7	40.9	36.6	41.4	41
Ontario. Total. Urban areas	57.1	60.3	57.5	54.6	78.7	43.8	48.3
Manitoba. Total. Urban areas	4.0	3.7	5.2	3.4	3.5	4.7	2.1
Saskatchewan. Total. Urban areas	4.6	3.9	5.0	5.4	6.8	6.1	4.6
Alberta. Total. Urban areas	24.1	27.6	24.7	19.6	18.5	18.1	16.7
British Columbia. Total. Urban areas	23.6	23.2	23.7	23.2	18.8	27.9	25.7

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized

This Month's Major Housing Indicators

	2010	Q2:10	Q3:10	Q4:10	M11:10	M12:10	M01:11
New Housing							
New & unoccupied singles & semis, units 000s	5.3	5.4	5.0	5.6	5.7	5.8	6.0
Per cent change from same period previous year	-28.5	-36.3	-25.9	-1.8	-1.0	5.5	11.0
New & unoccupied row & apartments, units 000s	13.6	13.4	13.7	13.7	13.8	13.8	14.2
Per cent change from same period previous year	10.8	11.7	6.3	6.6	8.3	5.7	3.4
New House Price Index, 2007=100	103.2	103.2	103.4	103.8	103.9	104.0	n.a.
Per cent change from same period previous year	2.2	2.9	2.8	2.2	2.3	2.1	n.a.
Existing Housing							
MLS® resales*, units 000s	447.0	442.6	396.4	444.4	453.6	453.3	473.8
Per cent change from same period previous year	-3.9	-4.3	-23.7	-16.1	-14.1	-14.6	-6.4
MLS® average resale price, 000s**	339.0	339.1	332.2	343.5	345.7	343.5	357.1
Per cent change from same period previous year	5.8	8.7	0.4	1.3	2.0	1.2	4.9
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.49	3.70	3.37	3.30	3.35	3.35	3.35
Posted 5-Year Mortgage Rate, % (period average)	5.61	6.04	5.52	5.31	5.44	5.19	5.19

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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